

AMENDED IN ASSEMBLY MARCH 28, 2007

CALIFORNIA LEGISLATURE—2007–08 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1508**

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**Introduced by Assembly Member Lieu**

February 23, 2007

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An act to amend Sections 1800.5, 1801, 1807, 1809, 1819, and 1821 of, to add Sections 1803.1, 1803.2, 1803.3, 1803.4, 1803.6, *1816.1*, *1816.2*, *1816.3*, *1816.4*, *1816.5*, *1816.6*, *1816.7*, *1816.8*, and 1819.5 to, to repeal Sections 1805 and 1805.5 of, and to repeal and add Section 1803.5 of, the Financial Code, relating to money transmission.

LEGISLATIVE COUNSEL'S DIGEST

AB 1508, as amended, Lieu. Money transmission: licensees and agents.

Existing law provides for the licensure and regulation by the Commissioner of Financial Institutions of money transmitters, who receive money in this state for transmission to foreign countries, and makes a violation of these provisions a crime.

(1) Existing law authorizes licensees to appoint a person to act as an agent for that licensee if, among other things, that person has obtained the authorization of the commissioner to act as an agent for that licensee.

This bill would delete the provision requiring the commissioner to authorize a person to act as an agent for a licensee. Instead, the bill would require a licensee to conduct a review of the proposed agent's fitness to act as an agent and determine that the proposed agent is of good character and sound financial standing and to maintain records of this review for a specified period.

Existing law authorizes the commissioner to revoke or suspend an agent's authorization, after a hearing, if the commissioner makes certain

findings, and to immediately suspend or revoke that authorization if necessary to protect the public.

The bill would authorize the commissioner, after notice and a hearing, to issue an order suspending or barring an agent from continuing to be or becoming an agent of any licensee for a specified period if the commissioner makes certain findings, and to issue an order immediately suspending or barring that agent from continuing to be or becoming an agent of any licensee if necessary to protect the public. The bill would specify procedures with respect to applications to modify or rescind the order and would require a licensee to suspend or terminate an agent if an order with respect to the agent becomes effective.

(2) Existing law prohibits a licensee from establishing a branch office, as defined, or changing the location of a branch office without obtaining the approval of the commissioner and paying certain fees. Existing law also requires licensees, at the end of each fiscal quarter, to file with the commissioner a report containing, among other things, the addresses of each branch office and agent. *Existing law requires a licensee, upon order of the commissioner to deposit and maintain a specified amount of cash or securities, or a bond, with the Treasurer as a trust fund.*

This bill would delete the provision requiring a licensee to obtain the commissioner's approval to establish or change the address of a branch office or requiring the payment of fees with respect to the offices. The bill would require licensees, at the end of each calendar year quarter, to file with the commissioner a report containing, among other things, the current status and address of each branch office in this state, the names of persons who acted as the licensee's agent, and the volume of transmission money received, including a specified schedule. *The bill would require a licensee to own at all times specified eligible securities, as defined, in an amount not less than the aggregate amount of all transmission money received by the licensee.*

(3) Existing law requires licensees to file with the commissioner a certified copy of every receipt form used by it or by its agents for money received for transmission. Under existing law, no licensee or its agents shall use any receipt unless a certified copy has first been filed with and approved by the commissioner.

This bill would require licensees to file the certified copy of every receipt form within 10 business days of its first use and would delete the requirement that the certified copy of the receipt be approved by the commissioner.

(4) Existing law authorizes the commissioner to revoke or suspend a license issued to a money transmitter if, after a hearing, the commissioner finds, among other things, the licensee has committed a violation of the licensing act or any rule or regulation adopted by the commissioner.

This bill would provide the commissioner with the authority to revoke or suspend a license, after notice and opportunity for hearing, for a violation of any other state or federal law that reasonably applies to the conduct of the licensee and would further authorize the commissioner, when necessary to protect the public, to issue an order immediately revoking or suspending that licensee's license and would specify procedures for a hearing following the issuance of such an order.

(5) Because the bill would revise requirements pertaining to money transmission licensees and their agents, a violation of which would be a crime, the bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 1800.5 of the Financial Code is amended  
2 to read:  
3 1800.5. For the purposes of this chapter:  
4 (a) (1) "Receiving money for transmission" means receiving  
5 money for the purpose of transmitting the same or its equivalent  
6 to foreign countries.  
7 (2) Except as otherwise provided in paragraph (3), "receiving  
8 money for transmission" does not include selling any check, draft,  
9 money order, travelers check, or other instrument (whether or not  
10 negotiable) for the transmission or payment of money.  
11 (3) "Receiving money for transmission" includes the sale by a  
12 person, either directly or indirectly through an agent, of any check  
13 or draft which:  
14 (A) Is drawn by the person;

1 (B) Is drawn on, or is payable through or at, an office of a bank  
2 located in a foreign country;

3 (C) Is denominated in a foreign currency; and

4 (D) Is not designated on its face by the term “money order” or  
5 “travelers check” or by any substantially similar term.

6 (b) “Transmission money” means money received in this state  
7 by a licensee for transmission to a foreign country, or any  
8 equivalent into which the money is converted, from the time the  
9 money is received for transmission to a foreign country until the  
10 time the transmission of the money in accordance with the  
11 agreement of the licensee with the customer is completed, or, if  
12 the transmission is not completed, until such time as the money is  
13 repaid to the customer.

14 (c) “Agent” means any person in this state whom a licensee has  
15 appointed as its agent with authority to receive transmission money  
16 on behalf of the licensee, provided that the licensee becomes liable  
17 for the transmission of the transmission money from the time when  
18 the transmission money is received by the person. However,  
19 “agent” does not include any officer or employee of the licensee  
20 when acting as such at an office of a licensee.

21 (d) “Licensee” means any corporation licensed pursuant to this  
22 chapter.

23 (e) For the purposes of Section 1802.2, 1803.5, and 1804 the  
24 following terms shall have the following meanings:

25 (1) “Control” has the meaning set forth in Section 700.

26 (2) “Officer” has the meaning set forth in Section 33057.

27 (f) “Branch office” means any office in this state, other than the  
28 headquarters office of a licensee or agent, at which the licensee  
29 receives money for transmission to a foreign country, either directly  
30 or through an agent.

31 SEC. 2. Section 1801 of the Financial Code is amended to read:

32 1801. (a) Fees shall be paid to, and collected by, the  
33 commissioner, as follows:

34 (1) The fee for filing with the commissioner an application for  
35 a license is five thousand dollars (\$5,000).

36 (2) The fee for filing with the commissioner an application for  
37 approval to acquire control of a licensee is three thousand five  
38 hundred dollars (\$3,500).

1 (3) A licensee shall pay to the commissioner annually on or  
2 before July 1, a licensee fee of two thousand five hundred dollars  
3 (\$2,500).

4 (4) A licensee shall pay to the commissioner annually on or  
5 before July 1, one hundred twenty-five dollars (\$125) for each  
6 licensee branch office.

7 (5) A licensee shall pay to the commissioner annually on or  
8 before July 1, twenty-five dollars (\$25) for each agent headquarter  
9 office and each agent branch office.

10 (6) Whenever the commissioner examines a licensee or any  
11 agent of a licensee, the licensee shall pay, within 10 days after  
12 receipt of a statement from the commissioner, a fee of seventy-five  
13 dollars (\$75) per hour for each examiner engaged in the  
14 examination plus, if it is necessary for any examiner engaged in  
15 the examination to travel outside this state, the travel expenses of  
16 the examiner.

17 (b) (1) Each fee for filing an application with the commissioner  
18 shall be paid at the time the application is filed with the  
19 commissioner.

20 (2) No fee for filing an application with the commissioner shall  
21 be refundable, regardless of whether the application is approved,  
22 denied, or withdrawn.

23 SEC. 3. Section 1803.1 is added to the Financial Code, to read:

24 1803.1. (a) No licensee shall appoint any person as an agent  
25 unless it has conducted a review of the proposed agent's fitness  
26 to act as an agent and has determined that the proposed agent and  
27 any persons who control the proposed agent are of good character  
28 and sound financial standing.

29 (b) A licensee shall maintain records of this review for each  
30 agent while the agent is receiving transmission money on behalf  
31 of the licensee, and for two years after the relationship with the  
32 agent has terminated.

33 SEC. 4. Section 1803.2 is added to the Financial Code, to read:

34 1803.2. (a) Each licensee shall be liable as a principal for the  
35 transmission of the transmission money from the time when the  
36 transmission money is received by the agent.

37 (b) Each licensee shall exercise reasonable supervision over its  
38 agents to ensure compliance with applicable laws, rules, and  
39 regulations with respect to receiving transmission money.

40 SEC. 5. Section 1803.3 is added to the Financial Code, to read:

1 1803.3. (a) If, after notice and a hearing, the commissioner  
2 finds that an agent of a licensee or any director, officer, employee,  
3 or controlling person of that agent, or director, officer, or employee  
4 of that controlling person satisfies any of the factors set forth in  
5 paragraphs (1) to (7), inclusive, the commissioner may issue an  
6 order suspending or barring that agent from continuing to be or  
7 becoming an agent of any licensee during the period for which  
8 that order is in effect:

9 (1) Violated any provision of this chapter or any regulation or  
10 order issued under this chapter.

11 (2) Engaged or participated in any unsafe or unsound act with  
12 respect to the business of receiving transmission money.

13 (3) Is an agent of a licensee who, because of its operations and  
14 financial condition, is not competent to supervise and monitor the  
15 agent.

16 (4) Is not of good character or of sound financial standing.

17 (5) Is not competent to engage in the business of receiving  
18 money for transmission.

19 (6) Will not comply with all applicable provisions of this chapter  
20 and of any regulation or order issued under this chapter.

21 (7) Has made or caused to be made in any application or report  
22 filed with the commissioner or in any proceeding before the  
23 commissioner, any statement that was, at the time and in the light  
24 of the circumstances under which it was made, false or misleading  
25 with respect to any material fact, or has omitted to state in any  
26 such application or report any material fact that is required to be  
27 stated therein.

28 (b) If applicable, the commissioner may disclose to the licensee  
29 criminal history information upon which an order is based.

30 (c) If the commissioner finds that any of the factors set forth in  
31 subdivision (a) is true with respect to any agent and that it is  
32 necessary for the protection of the public interest, the commissioner  
33 may issue an order immediately suspending or barring that agent  
34 from continuing to be or becoming an agent of any licensee during  
35 the period for which that order is in effect.

36 (d) (1) Within 30 days after an order is issued pursuant to  
37 subdivision (c), the licensee or the agent or former agent with  
38 respect to whom the order was issued may file with the  
39 commissioner an application for a hearing on the order.

1 (2) If the commissioner fails to commence a hearing within 15  
2 business days after the application is filed with the commissioner  
3 or within a longer period of time agreed to by the licensee, agent,  
4 or former agent, the order shall be deemed rescinded.

5 (3) Within 30 days after the hearing, the commissioner shall  
6 affirm, modify, or rescind the order. Otherwise, the order shall be  
7 deemed rescinded.

8 (4) The right of the licensee or agent or former agent to petition  
9 for judicial review of the order shall not be affected by the failure  
10 of that person to apply to the commissioner for a hearing on the  
11 order pursuant to this subdivision.

12 SEC. 6. Section 1803.4 is added to the Financial Code, to read:

13 1803.4. (a) The licensee or the agent or former agent with  
14 respect to whom an order has been issued under Section 1803.3  
15 may apply to the commissioner to modify or rescind the order.  
16 The commissioner shall not grant an application to modify or  
17 rescind the order unless the commissioner finds that it is in the  
18 public interest to do so and the commissioner reasonably believes  
19 that person will, if and when that person becomes an agent, comply  
20 with all applicable provisions of this chapter and any regulations,  
21 rules, and orders issued under this chapter.

22 (b) The right of the licensee or the agent or former agent to  
23 petition for judicial review of the order shall not be affected by  
24 the failure of that person to apply to the commissioner pursuant  
25 to subdivision (a) to modify or rescind the order.

26 SEC. 7. Section 1803.5 of the Financial Code is repealed.

27 SEC. 8. Section 1803.5 is added to the Financial Code, to read:

28 1803.5. (a) Any licensee, having as an agent any person to  
29 whom an order has been issued pursuant to Section 1803.3 shall,  
30 when that order becomes effective, immediately suspend or  
31 terminate that person as an agent.

32 (b) No person, with respect to whom an order issued under  
33 Section 1803.3 is in effect, shall become or continue to be an agent  
34 of any licensee.

35 SEC. 9. Section 1803.6 is added to the Financial Code, to read:

36 1803.6. An agent of a licensee shall not appoint a subagent to  
37 receive transmission money.

38 SEC. 10. Section 1805 of the Financial Code is repealed.

39 SEC. 11. Section 1805.5 of the Financial Code is repealed.

1 SEC. 12. Section 1807 of the Financial Code is amended to  
2 read:

3 1807. (a) The commissioner may by order or regulation grant  
4 exemptions from this section in cases where the commissioner  
5 finds that the requirements of this section are not necessary.

6 (b) Each licensee shall, within 90 days after the end of each  
7 fiscal year, or within such extended time as the commissioner may  
8 prescribe, file with the commissioner an audit report for the fiscal  
9 year.

10 (c) The audit report called for in subdivision (b) shall comply  
11 with all of the following provisions:

12 (1) The audit report shall contain such audited financial  
13 statements of the licensee for or as of the end of the fiscal year  
14 prepared in accordance with generally accepted accounting  
15 principles and such other information as the commissioner may  
16 require.

17 (2) The audit report shall be based upon an audit of the bank  
18 conducted in accordance with generally accepted auditing standards  
19 and such other requirements as the commissioner may prescribe.

20 (3) The audit report shall be prepared by an independent certified  
21 public accountant or independent public accountant who is not  
22 unsatisfactory to the commissioner.

23 (4) The audit report shall include or be accompanied by a  
24 certificate of opinion of the independent certified public accountant  
25 or independent public accountant that is satisfactory in form and  
26 content to the commissioner. If the certificate or opinion is  
27 qualified, the commissioner may order the licensee to take such  
28 action as the commissioner may find necessary to enable the  
29 independent or certified public accountant or independent public  
30 accountant to remove the qualification.

31 (d) Each licensee shall, not more than 45 days after the end of  
32 each quarter (except the fourth quarter of its fiscal year), or within  
33 a longer period as the commissioner may by regulation or order  
34 specify, file with the commissioner a report containing all of the  
35 following:

36 (1) Financial statements, including balance sheet, income  
37 statement, statement of changes in shareholders' equity, and  
38 statement of cashflows, for, or as of the end of, that fiscal quarter,  
39 verified by two of the licensee's principal officers. The verification  
40 shall state that each of the officers making the verification has a



1 personal knowledge of the matters in the report and that each of  
2 them believes that each statement on the report is true.

3 (2) Other information as the commissioner may by regulation  
4 or order require.

5 (e) Each licensee, not more than 45 days after the end of each  
6 calendar year quarter, shall file with the commissioner a report  
7 containing all of the following:

8 (1) The current address of each branch office of the licensee in  
9 this state. If a branch office was opened or closed during the  
10 calendar year quarter, the date it was opened or closed. If a branch  
11 office was relocated during the calendar year quarter, the addresses  
12 of the old and new locations and the date of relocation for each  
13 new location.

14 (2) The name of each person who acted as an agent of the  
15 licensee during the calendar year quarter and the address for each  
16 location at which the agent received transmission money. If a  
17 person was appointed or terminated as an agent during the calendar  
18 year quarter, the date of appointment or termination. If an agent  
19 relocated, the addresses for the old and new agent locations and  
20 the date of relocation.

21 (3) The total volume of transmission money received in the  
22 calendar year quarter, the average daily transmission liability for  
23 the quarter, and a schedule of each foreign country to which  
24 transmission money was sent along with the total amount of  
25 transmission money sent to that foreign country in that calendar  
26 year quarter.

27 (4) Other information as the commissioner may by regulation  
28 or order require.

29 (f) Each licensee shall file with the commissioner other reports  
30 as and when the commissioner may by regulation or order require.

31 SEC. 13. Section 1809 of the Financial Code is amended to  
32 read:

33 1809. (a) Each licensee shall file with the commissioner a  
34 certified copy of every receipt form used by it or by its agents for  
35 money received for transmission within 10 business days of its  
36 first use. No licensee or its agents shall use any receipt, a certified  
37 copy of which has not been filed with the commissioner.

38 (b) If a receipt is required by this chapter to be in English and  
39 another language, the English version of the receipt shall govern  
40 any dispute concerning the terms of the receipt. However, any

1 discrepancies between the English version and any other version  
2 due to the translation of the receipt from English to another  
3 language including errors or ambiguities shall be construed against  
4 the licensee or its agent and the licensee or its agent shall be liable  
5 for any damages caused by these discrepancies.

6 (c) Any licensee violating the requirements of this section shall  
7 be subject to a fine of fifty dollars (\$50) for each violation.

8 (d) If any licensee or its agent uses a receipt form, a certified  
9 copy of which has not been filed with the commissioner, the  
10 licensee shall be liable for the acts of its agents whether or not the  
11 licensee authorized the agent to use that form.

12 (e) The receipt form shall comply with the requirements of  
13 Sections 1810.5 and 1815.

14 *SEC. 14. Section 1816.1 is added to the Financial Code, to*  
15 *read:*

16 *1816.1. For purposes of Sections 1816.2 to 1816.8, inclusive,*  
17 *the following definitions shall apply:*

18 (a) *“Eligible security” means any United States currency*  
19 *eligible security or foreign currency eligible security.*

20 (b) *“Eligible securities rating service” means any securities*  
21 *rating service that the commissioner has by regulation or order*  
22 *declared to be an eligible securities rating service pursuant to*  
23 *Section 1816.5.*

24 (c) *“Eligible rating,” when used with respect to any security*  
25 *or class of securities and any eligible securities rating service,*  
26 *means any rating assigned to such security or class of securities*  
27 *by such eligible securities rating service which the commissioner*  
28 *has by regulation or order declared to be an eligible rating*  
29 *pursuant to Section 1816.6.*

30 (d) *“Foreign currency eligible security” means any of the*  
31 *following that is, or is denominated in, a foreign currency and that*  
32 *the commissioner has not by regulation or order declared to be*  
33 *ineligible pursuant to Section 1816.3:*

34 (1) *Any of the following that is of comparable quality to the*  
35 *United States currency eligible securities specified in paragraphs*  
36 *(1) to (7), inclusive, of subdivision (f):*

37 (A) *Cash.*

38 (B) *Any deposit in an office of a bank located in a foreign*  
39 *country.*

1 (2) Any other security or class of securities that the  
2 commissioner has by regulation or order declared to be eligible  
3 securities pursuant to Section 1816.4.

4 (e) "Transmission money" has the same meaning set forth in  
5 subdivision (b) of Section 1800.5.

6 (f) "United States currency eligible security" means any of the  
7 following that is, or is denominated in, United States currency and  
8 that the commissioner has not by regulation or order declared to  
9 be ineligible pursuant to Section 1816.3:

10 (1) Cash.

11 (2) Any deposit in an insured bank, an insured savings and loan  
12 association, or an insured credit union.

13 (3) Any bond, note, or other obligation which is issued or  
14 guaranteed by the United States or by any agency of the United  
15 States.

16 (4) Any bond, note, or other obligation that is issued or  
17 guaranteed by any state of the United States or by any  
18 governmental agency of or within any state of the United States  
19 and that is assigned an eligible rating by an eligible securities  
20 rating service.

21 (5) Any bankers acceptance that is eligible for discount by a  
22 federal reserve bank.

23 (6) Any commercial paper that is assigned an eligible rating by  
24 an eligible securities rating service.

25 (7) Any bond, note, or other obligation or preferred stock that  
26 is assigned an eligible rating by an eligible securities rating  
27 service.

28 (8) Any share of an investment company that is an open-end  
29 management company, that is registered under the Investment  
30 Company Act of 1940 (12 U.S.C. Sec. 80a-1 et seq.), that holds  
31 itself out to investors as a money market fund, and that operates  
32 in accordance with all provisions of the Investment Company Act  
33 of 1940 and of the regulations of the Securities and Exchange  
34 Commission applicable to money market funds, including Section  
35 270.2a-7 of the regulations of the Securities and Exchange  
36 Commission (17 C.F.R. 270.2a-7).

37 For purposes of this paragraph and paragraph (9), "investment  
38 company," "management company," and "open-end" have the  
39 meanings set forth in Sections 3, 4, and 5, respectively, of the

1 *Investment Company Act of 1940 (12 U.S.C. Secs. 80a-3, 80a-4,*  
2 *and 80a-5, respectively).*

3 (9) *Any share of an investment company that is an open-end*  
4 *management company, that is registered under the Investment*  
5 *Company Act of 1940 (12 U.S.C. Sec. 80a-1 et seq.), and that*  
6 *invests exclusively in securities that constitute United States*  
7 *currency eligible securities under this subdivision.*

8 (10) *Any account due to any licensee from any agent of the*  
9 *licensee on account of the receipt of transmission money by the*  
10 *agent, if the account is current and not past due or otherwise*  
11 *doubtful of collection.*

12 (11) *Any other security or class of securities that the*  
13 *commissioner has by regulation or order declared to be eligible*  
14 *securities pursuant to Section 1816.4.*

15 (g) *“Value” means the following:*

16 (1) *When used with respect to an eligible security owned by a*  
17 *licensee that consists of an account due to the licensee from an*  
18 *agent of the licensee on account of the receipt of transmission*  
19 *money by the agent, net carrying value as determined in conformity*  
20 *with generally accepted accounting principles. However, in*  
21 *computing the value of the account due to the licensee, any amount*  
22 *due on account of the receipt of transmission money by the agent*  
23 *shall be excluded if the time elapsed between the receipt of*  
24 *transmission money and the date of computation exceeds the*  
25 *average time that elapses between the time of receipt of*  
26 *transmission money and the time of payment of transmission money*  
27 *to the beneficiary.*

28 (2) *The following when used with respect to any other eligible*  
29 *security owned by a licensee:*

30 (A) *In case the practice and policy of the licensee is to hold*  
31 *eligible securities to maturity, net carrying value as determined*  
32 *in conformity with generally accepted accounting principles.*

33 (B) *In any other case, market value.*

34 SEC. 15. *Section 1816.2 is added to the Financial Code, to*  
35 *read:*

36 1816.2. (a) *For purposes of Sections 1816.3 to 1816.8,*  
37 *inclusive, a licensee shall be deemed to own an eligible security*  
38 *only if the following apply:*

39 (1) *The licensee owns the eligible security solely and exclusively*  
40 *in its own right, both of record and beneficially.*

1     (2) *The eligible security is not subject to any pledge, lien, or*  
2 *security interest.*

3     (3) *The licensee can freely negotiate, assign, or otherwise*  
4 *transfer the eligible security.*

5     (b) *Notwithstanding subdivision (a), no licensee shall be deemed*  
6 *not to own an eligible security solely on account of any of the*  
7 *following facts, provided that, but for such fact, the licensee would*  
8 *be deemed to own the eligible security under the provisions of*  
9 *subdivision (a):*

10     (1) *The fact that the eligible security is owned of record by a*  
11 *documented nominee of the licensee or by a securities depository*  
12 *which is licensed under, or exempt from licensing under, Division*  
13 *14 (commencing with Section 30000).*

14     (2) *The fact that the licensee has pledged the eligible security*  
15 *with the United States or any state of the United States to secure*  
16 *payment by the licensee of transmission money.*

17     (3) *The fact that pursuant to Section 1816 the eligible securities*  
18 *are owned beneficially by the persons from whom the licensee*  
19 *received transmission money.*

20     SEC. 16. *Section 1816.3 is added to the Financial Code, to*  
21 *read:*

22     1816.3. *If the commissioner finds that any eligible security or*  
23 *class of eligible securities is not of sufficient liquidity or quality*  
24 *to be eligible securities, the commissioner may by regulation or*  
25 *order declare the security or class of securities to be ineligible.*

26     SEC. 17. *Section 1816.4 is added to the Financial Code, to*  
27 *read:*

28     1816.4. *If the commissioner finds that any security or class of*  
29 *securities that is not an eligible security is of sufficient liquidity*  
30 *and quality to be an eligible security, the commissioner may by*  
31 *regulation or order declare the security or class of securities to*  
32 *be eligible securities.*

33     SEC. 18. *Section 1816.5 is added to the Financial Code, to*  
34 *read:*

35     1816.5. *The commissioner may by regulation or order declare*  
36 *a securities rating service to be an eligible securities rating service*  
37 *if the commissioner finds the following with respect to the securities*  
38 *rating service:*

39     (a) *It has been continuously engaged in the business of rating*  
40 *securities for a period of not less than three years.*

1     (b) *It is competent to rate securities and is nationally recognized*  
2     *for rating securities in a competent manner.*

3     (c) *It publishes its ratings of securities on a nationwide basis.*

4     SEC. 19. *Section 1816.6 is added to the Financial Code, to*  
5     *read:*

6     1816.6. *If the commissioner finds that a rating assigned to a*  
7     *class of securities by an eligible securities rating service indicates*  
8     *that the class of securities is of sufficient quality to be eligible*  
9     *securities, the commissioner may by regulation or order declare*  
10    *the rating to be an eligible rating.*

11    SEC. 20. *Section 1816.7 is added to the Financial Code, to*  
12    *read:*

13    1816.7. *Each licensee shall at all times own eligible securities*  
14    *having an aggregate value computed in accordance with generally*  
15    *accepted accounting principles of not less than the aggregate*  
16    *amount of all transmission money received by it.*

17    SEC. 21. *Section 1816.8 is added to the Financial Code, to*  
18    *read:*

19    1816.8. (a) *In computing for purposes of Section 1816.7 the*  
20    *aggregate value of eligible securities owned by a licensee, all of*  
21    *the following shall be excluded:*

22    (1) *The value of any eligible security if and to the extent that*  
23    *the value of the eligible security, when combined with the*  
24    *aggregate value of all other eligible securities owned by the*  
25    *licensee that are issued or guaranteed by the same person or by*  
26    *any affiliate of the same person by whom the eligible security is*  
27    *issued or guaranteed, exceeds 10 percent of the aggregate value*  
28    *of all eligible securities owned by the licensee.*

29    (2) *The portion of the aggregate value of all eligible securities*  
30    *of the type described in paragraph (10) of subdivision (f) of Section*  
31    *1816.1 that exceeds 20 percent of the aggregate value of all eligible*  
32    *securities.*

33    (b) *Subdivision (a) shall not require the exclusion of the value*  
34    *of any of the following eligible securities, and each of the following*  
35    *eligible securities shall be exempted from the limitations of*  
36    *subdivision (a):*

37    (1) *The following United States currency eligible securities:*

38    (A) *Cash.*

39    (B) *Any deposit in an insured bank or an insured savings and*  
40    *loan association.*

1 (C) Any bond, note, or other obligation for the payment of which  
2 the full faith and credit of the United States are pledged.

3 (2) Any eligible security that the commissioner, in view of the  
4 financial condition of the obligor or issuer and any other factors  
5 as may in the opinion of the commissioner be relevant, finds to be  
6 of a quality that exclusion of the value of the eligible security  
7 pursuant to subdivision (a) is not necessary for the purposes of  
8 this division and that the commissioner by regulation or order  
9 exempts from the limitations of subdivision (a).

10 ~~SEC. 14.~~

11 SEC. 22. Section 1819 of the Financial Code is amended to  
12 read:

13 1819. The commissioner may revoke or suspend any license  
14 issued pursuant to this chapter, if, after notice and opportunity for  
15 hearing, he or she finds any of the following:

16 (a) The licensee has violated any provision of this chapter, any  
17 rule or regulation adopted by the commissioner, or any federal or  
18 state law that reasonably applies to the conduct of the licensee's  
19 money transmission business.

20 (b) Any fact or condition exists which, if it had existed at the  
21 time of the original application for the license, would be grounds  
22 for denying an application for a license under Section 1802.2.

23 (c) The licensee is conducting its business in an unsafe manner.

24 (d) The licensee has failed to obey a final order issued by the  
25 commissioner.

26 ~~SEC. 15.~~

27 SEC. 23. Section 1819.5 is added to the Financial Code, to  
28 read:

29 1819.5. (a) If the commissioner finds that any of the factors  
30 set forth in Section 1819 is true with respect to any licensee and  
31 that it is necessary for the protection of the public interest, the  
32 commissioner may issue an order immediately suspending or  
33 revoking the licensee's license.

34 (b) (1) Within 30 days after the license is suspended or revoked  
35 pursuant to subdivision (a), the licensee may file with the  
36 commissioner an application for a hearing on the suspension or  
37 revocation.

38 (2) If the commissioner fails to commence a hearing within 15  
39 business days after the application is filed with the commissioner

1 or within a longer period of time agreed to by the licensee, the  
2 suspension or revocation shall be deemed rescinded.

3 (3) Within 30 days after the hearing, the commissioner shall  
4 affirm, modify, or rescind the suspension or revocation. Otherwise,  
5 the suspension or revocation shall be deemed rescinded.

6 (4) The right of the licensee to petition for judicial review of  
7 the suspension or revocation, shall not be affected by the failure  
8 of the licensee to apply to the commissioner for a hearing on the  
9 suspension or revocation pursuant to this subdivision.

10 ~~SEC. 16.~~

11 *SEC. 24.* Section 1821 of the Financial Code is amended to  
12 read:

13 1821. Whenever it appears to the commissioner that a licensee  
14 has done or is doing any of the acts specified in subdivisions (a)  
15 to (g), inclusive, the commissioner may take possession of the  
16 property and business of the licensee and retain possession until  
17 the licensee resumes business or its affairs are finally liquidated.  
18 The licensee, with the consent of the commissioner, may resume  
19 business upon those conditions as the commissioner may prescribe.

20 (a) The licensee has violated any federal or state law or any rule  
21 or regulation *that reasonably applies to the conduct of the*  
22 *business of the licensee.*

23 (b) The licensee is conducting its business in an unsafe or  
24 unauthorized manner.

25 (c) The licensee refuses to submit its books, papers, and affairs  
26 to the inspection of the commissioner.

27 (d) The licensee or any officer of a licensee refuses to be  
28 examined upon oath touching the concerns of the licensee.

29 (e) The licensee has suspended payment of its obligations.

30 (f) The licensee is in a condition that it is unsound, unsafe, or  
31 inexpedient for it to transact business.

32 (g) The licensee neglects or refuses to observe any order of the  
33 commissioner made pursuant to Section 1818 unless the  
34 enforcement of the order is restrained in a proceeding brought  
35 by the licensee.

36 ~~SEC. 17.~~

37 *SEC. 25.* No reimbursement is required by this act pursuant to  
38 Section 6 of Article XIII B of the California Constitution because  
39 the only costs that may be incurred by a local agency or school  
40 district will be incurred because this act creates a new crime or



1 infraction, eliminates a crime or infraction, or changes the penalty  
2 for a crime or infraction, within the meaning of Section 17556 of  
3 the Government Code, or changes the definition of a crime within  
4 the meaning of Section 6 of Article XIII B of the California  
5 Constitution.

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